

**MOSS LANDING
HARBOR DISTRICT**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2010 AND 2009

AND INDEPENDENT AUDITOR'S REPORT

MOSS LANDING HARBOR DISTRICT

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	2 – 5
Financial Statements:	
Statements of Financial Position	6
Statements of Revenues, Expenditures and Changes in Retained Earnings	7
Statements of Cash Flows	8 – 9
Notes to Financial Statements	10 – 16

INDEPENDENT AUDITORS' REPORT

**Board of Commissioners
Moss Landing Harbor District
Moss Landing, California**

We have audited the accompanying statement of financial position of the *Moss Landing Harbor District* (a California nontaxable government entity) as of June 30, 2010, and the related statements of revenues, expenses, changes in retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Moss Landing Harbor District as of and for the year ended June 30, 2009, were audited by other auditors whose report dated December 4, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the *Moss Landing Harbor District* as of June 30, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Management's discussion and analysis and the budgetary comparison information on pages 2 through 5, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

November 29, 2010

**MOSS LANDING HARBOR DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010 AND 2009**

Our discussion and analysis of the Moss Landing Harbor District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010. Please read this in conjunction with the District's basic financial statements.

Financial Highlights

The District's financial statements are presented in accordance with the requirements of Governmental Accounting Standards Board Statement #34 (GASB 34). The underlying concept is that the financial statements are based on the governmental entity's assets, the liabilities related to those assets and the changes from year-to-year in those assets. The year-to-year changes result from net income, or loss, and contributions from outside sources (such as federal and state funding).

Operating revenues of \$2,435,058 were up from the prior year by \$88,304, and revenues were above budget by \$103,756, or 4.5%. Revenue from berthing income increased by \$20,462, due primarily to an increase in assigned and transient berthing occupancy, with a corresponding decrease in temporary berthing due to slips being occupied by assigned berth holders. Berthing and related revenues were above budget by \$73,559, or 4.4%. Rent, operations, concessions and other income increased by \$30,196, which was primarily due to an increase in launch fee revenue. Launch fee revenue increased this year over the prior years, due to the opening of salmon season which had been closed for the prior two years.

The District's property tax revenues decreased by \$23,870. Grant revenues decreased by \$23,325 due to the completion of the North Harbor Improvement Project in the prior year.

Operating expenses of \$1,364,878 (before depreciation) were down from the prior year by 1.2%, or \$17,255, and below budget by \$582,939, or 30.0%. The decrease in expenses as compared to budget was primarily due to a decrease in costs for dredging and derelict disposals. General and administrative expenses were below budgeted amounts primarily as a result of cost-saving measures implemented by the District. And one of the highest expenses for all employers is personnel costs; however, the District's expenses for personnel were right in line with budget despite rising medical expenses and other costs.

Using This Annual Report

This annual report consists of management's discussion and analysis, the basic financial statements and notes to financial statements. Management's discussion and analysis provides a narrative of the District's financial performance and activities for the year ended June 30, 2010. The basic financial statements provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

Statement of financial position – presents information on all of the District's assets and liabilities, with the difference between the two reported as fund equity. Over time, increases or decreases in fund retained earnings may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Statement of revenues, expenses and changes in retained earnings – presents information showing how the District’s retained earnings changed during the fiscal year. All changes in retained earnings are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.

Statement of cash flows – presents information showing how the District’s cash changed during the year. It shows the sources and uses of cash and cash equivalents.

Financial Analysis of the District as a Whole

Fund equity invested in capital assets represent the District’s long-term investment in capital assets, net of accumulated depreciation and related debt, and are not available for current operations.

A summary of fund equity is presented below.

	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 3,131,077	\$ 2,854,495
Capital assets, net of depreciation	<u>15,728,497</u>	<u>16,054,246</u>
Total assets	<u>\$ 18,859,574</u>	<u>\$ 18,908,741</u>
Current liabilities	\$ 786,883	\$ 915,395
Long-term debt	<u>5,698,243</u>	<u>5,953,524</u>
Total liabilities	<u>6,485,126</u>	<u>6,868,919</u>
Invested in capital assets, net of related debt	8,225,007	8,212,957
Retained earnings	<u>4,149,441</u>	<u>3,826,865</u>
Total fund equity	<u>\$ 12,374,448</u>	<u>\$ 12,039,822</u>

A summary of changes in retained earnings is presented below:

	<u>2010</u>	<u>2009</u>
Changes in retained earnings		
Operating revenues	\$ 2,435,058	\$ 2,346,754
Operating expenses	(1,364,878)	(1,382,133)
Depreciation	<u>(764,202)</u>	<u>(705,275)</u>
Net operating income	305,978	259,346
Non-operating revenues	288,149	331,734
Non-operating expenses - interest	<u>(259,501)</u>	<u>(268,802)</u>
Increase in retained earnings	<u>\$ 334,626</u>	<u>\$ 322,278</u>

Financial Analysis of the District as a Whole (Continued)

A statement of major revenues and expenses is presented below.

	<u>2010</u>	<u>2009</u>
Revenues:		
Berthing	\$ 1,738,558	\$ 1,718,096
Rents	538,409	493,379
District property taxes	232,872	256,742
Operations, concessions and other	158,091	135,279
Grant revenues	19,998	46,323
Interest income	<u>35,279</u>	<u>28,669</u>
 Total revenues	 <u>\$ 2,723,207</u>	 <u>\$ 2,678,488</u>
	 <u>2010</u>	 <u>2009</u>
Expenses:		
Depreciation	\$ 764,202	\$ 705,275
Personnel	635,452	664,583
Utilities	287,630	311,002
Interest	259,501	268,802
General and administrative	285,272	298,189
Repairs and maintenance	143,300	94,412
District	<u>13,224</u>	<u>13,947</u>
 Total expenses	 <u>\$ 2,388,581</u>	 <u>\$ 2,356,210</u>

Future Plans

The District is pleased that it continued to maintain its certified California Clean Marina status during the last year, a standard that it intends to maintain for the benefit of its tenants as well as to attract new tenants. Along this vein, the District is continuing with its piling replacement project to be completed by the next fiscal year end, and electrical upgrade with dock refurbishing is an ongoing project that is resulting in positive feedback and customer satisfaction. Other revenue-enhancing plans completed in this fiscal year include grading, installing base rock, and landscaping at a dry storage yard opposite the South Harbor parking lot, which will maximize efficient use of the property and improve the view-shed. A lease for construction and operation of a new restaurant is planned at the North Harbor which will complete the first phase of the North Harbor Improvement Project. Permits to install some lighting at North Harbor, as well as paving the utility pit, are projects in process slated for completion during the next fiscal year. A project including grading, landscaping and beautifying the Community Park next to A Dock has begun. All of these efforts should increase revenue by attracting tenants.

BUDGET HIGHLIGHTS

The District's budget projected operating revenues of \$2,331,302. The District finished the budget year with operating revenues of \$2,435,058, which was \$103,756 or 4.5% more than budgeted. The difference was mostly attributable to berthing and related revenues being above budget by \$73,559 and rent and other income being above budget by \$30,196 primarily due to an increase in launch fee revenues.

Actual operating expenditures totaled \$1,364,878 compared to the budget amount of \$1,947,817, or 30% less than budgeted. The difference is primarily due to a decrease in costs for dredging and derelict disposals. Cost-saving measures implemented by the District also reduced general and administrative expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets, net of accumulated depreciation, at June 30, 2010 and 2009 totaled \$14,085,637 and \$14,411,386 as shown below. This amount represents a net decrease, including additions and disposals, net of depreciation, of approximately \$325,749 or 2.3% from June 30, 2009.

Capital Assets (Net of Depreciation)

	<u>2010</u>	<u>2009</u>
Building and improvements	\$ 16,665,470	\$ 16,644,042
Floating docks	6,830,634	6,416,882
Equipment	<u>728,372</u>	<u>725,099</u>
	24,224,476	23,786,023
Less depreciation	<u>10,138,839</u>	<u>9,374,637</u>
	<u>\$ 14,085,637</u>	<u>\$ 14,411,386</u>

Debt Administration

All of the District's debt is related to the NH and SH facilities expansion. The District's debt at June 30, 2010 and 2009 totaled \$5,860,630 and \$6,198,429. This represents a decrease of \$337,799 or 5.4%.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's accountability for the District's assets. If you have questions about this report or need additional financial information, contact the Moss Landing Harbor District, at 7881 Sandholdt Road, Moss Landing, CA 95039.

FINANCIAL STATEMENTS

MOSS LANDING HARBOR DISTRICT
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	2010	2009
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,235,638	\$ 2,738,522
Accounts receivable, net	75,680	48,206
Prepaid expenses and other current assets	69,759	67,767
Investments	1,750,000	—
Total current assets	3,131,077	2,854,495
CAPITAL ASSETS:		
Land	1,642,860	1,642,860
Depreciable property and equipment, net	14,085,637	14,411,386
Total capital assets	15,728,497	16,054,246
TOTAL ASSETS	\$ 18,859,574	\$ 18,908,741
<u>LIABILITIES AND FUND EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 42,579	\$ 81,352
Accrued wages and vacation pay	77,113	68,192
Accrued interest	70,211	137,773
Current portion of long-term debt	162,387	244,905
Deferred revenue	208,859	177,499
Customer deposits	225,734	205,674
Total current liabilities	786,883	915,395
LONG-TERM LIABILITIES —		
Long-term debt, net of current portion	5,698,243	5,953,524
Total liabilities	6,485,126	6,868,919
FUND EQUITY:		
Invested in capital assets, net of related debt	8,225,007	8,212,957
Retained earnings	4,149,441	3,826,865
Total fund equity	12,374,448	12,039,822
TOTAL LIABILITIES AND FUND EQUITY	\$ 18,859,574	\$ 18,908,741

See Notes to Basic Financial Statements.

MOSS LANDING HARBOR DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES:		
Berthing	\$ 1,738,558	\$ 1,718,096
Rent	538,409	493,379
Operations	61,737	66,396
Concessions and other revenue	96,354	68,883
Total operating revenues	2,435,058	2,346,754
OPERATING EXPENSES:		
Depreciation	764,202	705,275
Personnel	635,452	664,583
Utilities	287,630	311,002
General and administrative	124,824	131,533
Insurance	102,920	111,059
Repairs and maintenance	143,300	94,412
Operating supplies	25,710	26,593
Bad debt	25,500	20,867
Commissioner	13,224	13,947
Miscellaneous	6,318	8,137
Total operating expenses	2,129,080	2,087,408
NET OPERATING INCOME	305,978	259,346
NON-OPERATING REVENUE (EXPENSE):		
Grant revenues	19,998	46,323
District taxes	232,872	256,742
Interest income	35,279	28,669
Interest expense	(259,501)	(268,802)
Total non-operating revenue (expense)	28,648	62,932
CHANGE IN RETAINED EARNINGS	334,626	322,278
RETAINED EARNINGS –		
Beginning of year	12,039,822	11,717,544
End of year	\$ 12,374,448	\$ 12,039,822

See Notes to Basic Financial Statements.

MOSS LANDING HARBOR DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,405,592	\$ 2,339,296
Cash paid to suppliers	(716,779)	(663,651)
Cash paid to employees	(626,531)	(665,523)
	1,062,282	1,010,122
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,062,282	1,010,122
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	35,279	28,669
Purchases of investments	(1,750,000)	(500,000)
Maturities of investments	-	699,875
Purchases of property and equipment	(438,453)	(406,021)
	(2,153,174)	(177,477)
NET CASH USED BY INVESTING ACTIVITIES	(2,153,174)	(177,477)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash received from grants	19,998	46,323
Cash received from district taxes	232,872	256,742
	252,870	303,065
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	252,870	303,065
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on long-term debt	(337,799)	(234,777)
Interest paid	(327,063)	(261,818)
	(664,862)	(496,595)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(664,862)	(496,595)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,502,884)	639,115
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,738,522	2,099,407
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,235,638	\$ 2,738,522

MOSS LANDING HARBOR DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(Continued)

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net operating income	\$ 305,978	\$ 259,346
Adjustments to reconcile net operating income to net cash provided by operating activities		
Depreciation	764,202	705,275
CHANGES IN ASSETS AND LIABILITIES:		
Accounts receivable	(27,474)	7,189
Prepaid expenses	(1,992)	(27,615)
Accounts payable	(38,773)	60,647
Accrued expenses	8,921	(940)
Deferred revenues	31,360	(20,115)
Customer deposits	<u>20,060</u>	<u>26,335</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,062,282</u>	<u>\$ 1,010,122</u>

See Notes to Basic Financial Statements.

MOSS LANDING HARBOR DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 1. ORGANIZATION

The Moss Landing Harbor District (the "District") was formed in 1947 as a nontaxable government entity under California Senate Bill 1116 to provide for harbor and port facilities. It was formed for the purpose of creating a legal entity to negotiate with various governmental agencies for the financing and construction of a small craft harbor and the subsequent operation of the facility. The District is governed by an elected Board of five Commissioners. The District derives its revenues principally from fees charged to users of the harbor facilities, rent and concessions.

The accompanying financial statements include all the accounts of the District. There are no component units included in the District financial statements nor has the District been determined to be a component unit of any other entity.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus – The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Operating revenues are generated by the berthing, rental, concessions and other operations of the harbor facilities; operating expenses include the maintenance of the facilities. Management, administration, bad debts and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Investment earnings are accrued. Earned but unbilled revenues are accrued and reported in the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – The District considers all highly liquid assets which have a term of less than ninety days to maturity as cash equivalents. Included in cash and equivalents, is restricted cash that is kept in a separate bank account to be used for capital projects. Restricted cash at June 30, 2010 and 2009 totaled \$1,269 and \$5,980, respectively.

Investments – Investments consist of certificates of deposit held at Pinnacle Bank, and are stated at their original deposit amount. The investments are insured in full under FDIC and Certificates of Deposit Registry Service (CDARS) coverage.

Accounts Receivables – Accounts receivable are recorded net of an allowance for doubtful accounts. The allowance is estimated from historical experience and management’s analysis of individual customer balances. The allowance for doubtful accounts was \$30,000 and \$ –0– at June 30, 2010 and 2009, respectively.

Capital Assets – Capital assets are stated at cost. Gifts or contributions of such assets are stated at their estimated fair market value at the date received.

Depreciation has been computed over the following estimated useful lives using the straight-line method:

Land improvements	10 to 40 Years
Buildings and improvements	10 to 40 Years
Furniture, equipment and vehicles	3 to 20 Years

Depreciation of assets is recorded as an expense in the statements of revenues, expenses and changes in retained earnings. Land and construction in progress is not depreciated.

Revenues and Expenses – Revenues are recognized when earned. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for rent. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions. When an expense is incurred for which there are both restricted and unrestricted net assets available, it is the District’s policy to apply these expenses to restricted net assets to the extent that such are available and then to unrestricted net assets.

Compensated Absences – The District’s personnel policy provides full-time employees with vacation and sick leave in varying amounts. At termination, unrepresented employees are paid for accumulated (vested) vacation and one-half of sick leave. Accordingly, compensation for vacation and sick leave is charged to expense as earned by the employee and accumulated.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue – Deferred revenue represents amounts collected before year-end which were not earned as of June 30, 2010 and 2009. All deferred revenue is expected to be earned within one year.

Budget Policy – The District adopts an annual budget. The budget includes expenditures and the means of financing them and is used for planning purposes. The budget is prepared on the accrual basis.

Fund Equity – Fund equity is classified as follows:

- Invested in capital assets, net of related debt, which consists of capital assets, net of accumulated depreciation and reduced by related debt.
- Retained earnings, which consists of all other fund equity.

The District did not have any restricted fund equity subject to external constraints.

District Tax Revenue – District tax revenue is composed of property taxes received from the County of Monterey. District tax revenue is recognized when it is available from the County.

Income Taxes – Provisions for income taxes are not recorded since Moss Landing Harbor District is a special district in Monterey County and is not subject to income taxes.

Subsequent Events – Subsequent events have been evaluated through November 29, 2010, which is the date the financial statements were available to be issued.

NOTE 3. CONCENTRATION OF CREDIT RISK

The District maintains its cash account in commercial banks. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, a State regulation requires the Bank to place collateral on public funds deposits. The regulation stipulates that all deposits made by public entities made to accounts held at FDIC insured institutions must be collateralized at a rate of 110% by securities which are held for the benefit of the entity. Therefore, no balances as of June 30, 2010 and 2009 are uninsured.

NOTE 4. CAPITAL ASSETS

Capital assets experienced the following changes for the year ended June 30, 2010:

	<u>Balance Beginning of Year</u>	<u>Current Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Land	\$ 1,642,860	\$ —	\$ —	\$ 1,642,860
Buildings and improvements	23,060,924	435,180	—	23,496,104
Furniture, equipment, and vehicles	<u>725,099</u>	<u>3,273</u>	<u>—</u>	<u>728,372</u>
Total	25,428,883	438,453	—	25,867,336
Total accumulated depreciation	<u>(9,374,637)</u>	<u>(764,202)</u>	<u>—</u>	<u>(10,138,839)</u>
Capital assets – net	<u>\$16,054,246</u>	<u>\$ (325,749)</u>	<u>\$ —</u>	<u>\$15,728,497</u>

Capital assets experienced the following changes for the year ended June 30, 2009:

	<u>Balance Beginning of Year</u>	<u>Current Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Land	\$ 1,642,860	\$ —	\$ —	\$ 1,642,860
Buildings and improvements	22,657,112	403,812	—	23,060,924
Furniture, equipment, and vehicles	<u>722,890</u>	<u>2,209</u>	<u>—</u>	<u>725,099</u>
Total	25,022,862	406,021	—	25,428,883
Total accumulated depreciation	<u>(8,669,362)</u>	<u>(705,275)</u>	<u>—</u>	<u>(9,374,637)</u>
Capital assets – net	<u>\$16,353,500</u>	<u>\$ (299,254)</u>	<u>\$ —</u>	<u>\$16,054,246</u>

Depreciation expense was \$764,202 and \$705,275 for the years ended June 30, 2010 and 2009, respectively.

NOTE 5. LONG-TERM DEBT

Long-term debt consists of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Loans payable to State of California Department of Boating and Waterways (DBAW) with maximum commitment of \$2,850,000, for the purpose of funding the North Harbor Expansion project. Loans are secured by assignment of the District's berthing revenues and by its authority to levy taxes. Outstanding balances accrue interest at 4.5%. Principal and interest payments are due annually. These loans mature between August 2020 and August 2025.	\$ 1,077,305	\$ 1,206,732
Installment sale payable to the California Infrastructure and Economic Development Bank, with a maximum commitment of project funds totaling \$4,500,000, for the purposes of funding K-Dock Renovation, North Harbor and Elkhorn Slough Shoreline Protection Project. Outstanding balance accrues interest at 3.73%. Principal and interest payments are due in February and August each year. The agreement expires in August 2030.	3,764,668	3,881,601
Unsecured term note payable to First National Bank of Central California with a maximum commitment of \$750,000. Principal and interest payments are due monthly. Outstanding balance accrues interest at 5%. This note matures on November 2021.	618,828	657,764
Lease payments to Municipal Finance Corporation totaling \$500,000 to provide additional funding for the North Harbor Expansion project. The agreement is secured by a site lease covering an undeveloped 5-acre parcel. Principal and interest payments are due monthly. Outstanding balance accrues interest at 4.95%. This agreement matures in December 2021.	<u>399,829</u>	<u>452,332</u>
Total long-term debt	\$ 5,860,630	\$ 6,198,429
Less current portion	<u>162,387</u>	<u>244,905</u>
Long-term debt, non-current portion	<u>\$ 5,698,243</u>	<u>\$ 5,953,524</u>

NOTE 5. LONG-TERM DEBT (Continued)

Total interest expense incurred in the years ended June 30, 2010 and 2009 was \$259,501 and \$268,802, respectively, all of which was charged to operations.

First National Bank of Central California and The California Infrastructure and Economic Development Bank require the District to meet certain financial statement covenants.

Aggregate maturities or payments of principal and interest under long-term debt as of June 30, 2010 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 162,388	\$ 168,562	\$ 330,950
2012	266,479	230,053	496,532
2013	277,302	218,456	495,758
2014	289,377	206,438	495,815
2015	301,794	193,893	495,687
2016 – 2020	1,719,280	760,967	2,480,247
2021 – 2025	1,400,920	385,714	1,786,634
2026 – 2030	1,136,714	142,459	1,279,173
Thereafter	<u>306,376</u>	<u>2,648</u>	<u>309,024</u>
Total	<u>\$ 5,860,630</u>	<u>\$ 2,309,190</u>	<u>\$ 8,169,820</u>

NOTE 6. GRANT REVENUES

Grant revenues received during the years ended June 30, were comprised of grant awards received for the removal of abandoned watercraft and the North Harbor Expansion project from the following sources:

	<u>2010</u>	<u>2009</u>
Department of Boating and Waterways	\$ 19,998	\$ –
Transportation Agency for Monterey County	<u>–</u>	<u>46,323</u>
	<u>\$ 19,998</u>	<u>\$ 46,323</u>

NOTE 7. RENTAL INCOME

The District is the lessor of land and improvements under operating leases expiring in various years through 2053. Future minimum lease payments to be received on non-cancelable operating leases as of June 30, 2010, for each of the next five years and thereafter are as follows:

2011	\$	362,303
2012		328,219
2013		317,613
2014		302,943
2015		295,682
Thereafter		<u>6,161,820</u>
	\$	<u>7,768,580</u>

Future minimum rentals do not include contingent rentals that may be received under certain leases based on the volume of business conducted by the lessee. Total contingent rentals for the years ended June 30, 2010 and 2009 were \$18,690 and \$20,474, respectively.

NOTE 8. RETIREMENT PLANS

Moss Landing Harbor District provides benefits to all of its employees through a defined contribution plan (SEP-IRA). The plan covers all full-time employees including those working under collective bargaining agreements.

In July 2000, the District established a 457/401(a) defined contribution plan for its non-union employees and continued the SEP-IRA for its union employees. The Plan offers each participating employee the ability to select various investment options. Employees are eligible to participate upon the completion of six months of employment. Participants are vested in the District contributions 20% after the first year of service and are fully vested after five years of service.

The District makes contributions based on 11% of base salaries for union employees and 6% of base salaries for non-union employees. Also, if the non-union employees elect to contribute to the 457 plan, the District contributes up to an additional 6%. For the years ended June 30, 2010 and 2009, the District's contributions to the SEP-IRA plan were \$21,098 and \$14,538 and contributions to the 401(a) and 457 plans were \$15,617 and \$22,157, respectively.

NOTE 9. RISK MANAGEMENT

The District covers its liability for significant claims by purchasing workers' compensation, property and liability insurance. There have been no significant reductions in insurance coverage in the current year. Settlement amounts have not materially exceeded insurance coverage for the current year.